



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 26, 2007

H.R. 835

Hawaiian Homeownership Opportunity Act of 2007

*As ordered reported by the Senate Committee on Banking, Housing,
and Urban Affairs on September 19, 2007*

SUMMARY

H.R. 835 would reauthorize the Native Hawaiian Housing Block Grant and Loan Guarantee programs and would authorize the appropriation of such sums as necessary for those programs for each of the fiscal years 2008 through 2012. In addition, the act would reauthorize loans provided under Title VI of the Native American Housing Assistance and Self-Determination Act of 1996 for fiscal years 2008 through 2012 and would expand eligibility to include the Department of Hawaiian Home Lands (DHHL).

CBO estimates that appropriation of the amounts necessary to implement H.R. 835 would result in outlays of \$39 million over the 2008-2012 period. Enacting H.R. 835 would not affect direct spending or revenues.

H.R. 835 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 835 is shown in the following table. The costs of this legislation fall within budget functions 600 (income security) and 370 (commerce and housing credit).

By Fiscal Year, in Millions of Dollars						
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Hawaiian Housing Programs						
Budget Authority ^a	12	0	0	0	0	0
Estimated Outlays	4	2	2	2	2	1
Proposed Changes:						
Native Hawaiian Housing Block Grants						
Estimated Authorization Level	0	9	9	10	10	10
Estimated Outlays	0	1	3	5	7	9
Native Hawaiian Housing Loan Guarantees						
Estimated Authorization Level	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1
Title VI Loan Guarantees						
Estimated Authorization Level	0	2	2	2	2	2
Estimated Outlays	0	2	2	2	2	2
Total						
Estimated Authorization Level	0	12	12	13	13	13
Estimated Outlays	0	4	6	8	10	12
Spending Under H.R. 835 for Hawaiian Housing Programs						
Estimated Authorization Level ^a	12	12	12	13	13	13
Estimated Outlays	4	6	8	10	12	13

a. The 2007 level is the amount appropriated in that year for Native Hawaiian Housing Block Grants, Native Hawaiian Housing Loan Guarantees, and Title VI Loan Guarantees.

BASIS OF ESTIMATE

For the purposes of this estimate, we assume that H.R. 835 will be enacted near the beginning of fiscal year 2008, that the necessary amounts will be appropriated for each year, and that outlays will follow historical patterns.

Native Hawaiian Housing Block Grants

Section 2 would authorize the appropriation of such sums as necessary for the Native Hawaiian Housing Block Grant program from 2008 through 2012. Under this program, grants are used to assist low-income Native Hawaiian families obtain affordable housing. In 2007, \$9 million was appropriated for this program. Assuming appropriation of similar amounts (and adjusting for anticipated inflation), CBO estimates that implementing this section would cost \$23 million through 2012.

Native Hawaiian Housing Loan Guarantees

Section 3 would authorize the appropriation of such sums as necessary for the Native Hawaiian Housing Loan Guarantee program from 2008 through 2012. This program guarantees loans made to eligible Native Hawaiian families who reside on the Hawaiian Home Lands and who otherwise could not acquire private financing because of the unique legal status of the Hawaiian Home Lands. In 2007, \$1 million was appropriated for this program. Assuming appropriation of similar amounts (and adjusting for anticipated inflation), CBO estimates that implementing this section would cost \$5 million through 2012.

Title VI Loan Guarantees

Section 4 would extend the authorization of the Title VI loan guarantee program through 2012 and expand eligibility to include the DHHL. Such guarantees allow Native American Block Grant recipients to leverage their funding by pledging future grants as security for the repayment of a loan. A private lender provides the financing and the Department of Housing and Urban Development (HUD) provides a 95 percent guarantee of the principal and interest due in the case of a default. The size of the Title VI loans can be no larger than five times the grant recipient's annual grant amount. HUD estimates this program currently has a subsidy rate of about 12 percent. In 2007, \$2 million for subsidy costs was appropriated for the program, which would support about \$17 million in loans. Assuming appropriation of similar amounts and adjusting for the expansion of eligibility to include DHHL, CBO estimates that implementing this section would cost \$11 million through 2012. CBO assumes that loans to DHHL that are paid off using Native Hawaiian Housing Block Grants would have a similar loan-to-grant ratio as those Title VI loans backed by Native American Block Grants.

There have been few losses to date in the Title VI program; however, repayment of these loans has been funded by federal grants. As a result, the actual cost to the government is

borne by the grant program. It is uncertain what the cost of these loans would be in the absence of the grant program but it likely would be higher, perhaps substantially.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 835 contains no intergovernmental or private-sector mandates as defined in UMRA and would benefit the state of Hawaii. The act would allow certain state and tribal entities in Hawaii to continue helping native Hawaiians with low income purchase, construct, or refinance homes.

PREVIOUS CBO ESTIMATES

On February 21, 2007, CBO transmitted a cost estimate for H.R. 835 as ordered reported by the House Committee on Financial Services on February 14, 2007. On May 17, 2007, CBO transmitted a cost estimate for H.R. 835 as ordered reported by the Senate Committee on Indian Affairs on May 10, 2007. The three versions of the act are identical, as are the estimated costs.

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